



RECAP OF GASB 101 & GASB 102

ICCCFO SPRING 2024 CONFERENCE

MEET THE PRESENTERS



NICK BAVA

CPA, MAS
PARTNER

NICK.BAVA@SIKICH.COM



LINDSEY FISH

CPA
PARTNER

LINDSEY.FISH@SIKICH.COM



JOHN BRYANT

ASSISTANT VICE PRESIDENT
OF FINANCE

JBRYANT@WAUBONSEE.EDU

AGENDA

- GASB STATEMENT 101 – COMPENSATED ABSENCES
- GASB STATEMENT 101 - ILLUSTRATIONS
- GASB STATEMENT 102 – CERTAIN RISK DISCLOSURES
- GASB STATEMENT 102 - ILLUSTRATIONS

KEY TAKEAWAYS

- ✓ UNDERSTAND THE IMPACT OF GASB STATEMENT NO. 101 AND 102
- ✓ IDENTIFY EXAMPLES AND POTENTIAL APPLICABILITY TO UNITS OF HIGHER EDUCATION

GASB STATEMENT 101 – **COMPENSATED ABSENCES**

GASB 101

- Objectives:
 - Enhance the recognition and measurement guidance for compensated absences
 - Refine the disclosure requirements
- Effective Date:
 - Periods beginning after December 15, 2023 (years ending December 31, 2024, and thereafter)

GASB 101: **DEFINITION**

- A *compensated absence* is (a) leave that employees use for time off with pay, (b) leave for which employees receive payment upon termination of employment, or (c) leave for which employees receive settlement through other means, such as conversion to postemployment benefits. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave.

GASB 101 **(CONTINUED)**

- The pronouncement outlines when an amount would be required to be reported as a compensated absence:
 1. Does the absence accumulate?
 2. Is it more likely than not to be either paid or settled through other means?
 3. Is the absence attributable to services rendered?

GASB 101: MEASUREMENT

Calculation
Accumulated Leave (that meets established criteria)
X
Employee's pay rate*
=
Compensated Absences

GASB 101: **REPORTING/DISCLOSURE REQUIREMENTS**

- Net change
- Eliminates disclosure of which governmental funds have liquidated the liability

GASB 101: **RECOGNITION AND MEASUREMENT**

- A liability for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus if
 - the absence accumulates (see paragraph 8),
 - the absence is attributable to services rendered (see paragraph 9), and
 - the absence is more likely than not to be either paid or settled through other means.

GASB 101: **RECOGNITION AND MEASUREMENT** ***(CONTINUED)***

- An absence that accumulates is one that can be carried forward from the reporting period in which it is earned to a future reporting period when it will be paid or settled. For example, an employee who does not use all the vacation time earned in one year may have the ability to use it in the next year. In contrast, paid holidays that are linked to a specific date often are required to be used when the holiday occurs.
- An absence that is attributable to services rendered is one for which an employee already has performed the services required to earn the absence.

GASB 101: **RECOGNITION AND MEASUREMENT** ***(CONTINUED)***

- Estimating whether an absence is more likely than not to be paid or settled is accomplished by reviewing relevant factors, including:
 - Employment policies related to compensated absences (may differ by class of employee)
 - Whether benefits (for which services have been rendered) will become eligible for payment in the future

GASB 101: **RECOGNITION AND MEASUREMENT** ***(CONTINUED)***

- Estimating whether an absence is more likely than not to be paid or settled is accomplished by reviewing relevant factors, including:
 - Historical precedent on payment
 - Information known to the government that would indicate historical information may not be representative

GASB 101: **RECOGNITION AND MEASUREMENT** ***(CONTINUED)***

- Rate of Pay
 - Changes recognized in period of change
 - Use rate that the accumulated leave will be calculated with (i.e. 50% of pay rate for sick time)

SALARY-RELATED PAYMENTS - **SABBATICAL**

- Sabbatical leave meets the criteria for recognition as a compensated absence liability if an employee is not required to perform any significant duties for the government during the sabbatical (unrestricted sabbatical leave). If the employee is required to perform duties of a different nature for the government during the sabbatical (for example, research instead of teaching), the sabbatical is not a compensated absence. Unrestricted sabbatical leave also accumulates (see paragraph 8) when there is a minimum service period. For example, if seven years of service is required to be eligible for unrestricted sabbatical leave, that leave accumulates over seven years.
- In evaluating whether unrestricted sabbatical leave is more likely than not to be paid, a government should consider the likelihood that an employee will remain employed with the government long enough to become eligible to use the leave and the likelihood that the unrestricted sabbatical leave will be used.

GASB 101: **IMPLEMENTATION**

- Retroactive implementation (if practicable) for all prior periods presented
 - Disclose if not practicable

EXAMPLE: **NEW GUIDANCE**

- I. Compensated Absences
 - The Village implemented GASB Statement 101, *Compensated Absences* in 2022. Village policy permits employees to accumulate earned but unused leave including sick leave, vacation, compensatory time, and holiday leave (Police only). The entire balance of vacation, compensatory, and holiday leave are recognized as a liability at year end. Sick leave is recognized as a liability if it is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
 - The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

EXAMPLE: NEW GUIDANCE (CONTINUED)

f. Summary of Changes in Long-Term Liabilities

	Beginning Balances, as Restated	Additions	Reductions	Ending Balances	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 34,640,000	\$ -	\$ 5,205,000	\$ 29,435,000	\$ 2,445,000
TIF notes	45,682	-	14,000	31,682	-
Claims payable	1,007,660	464,460	667,125	804,995	-
Net pension liability*	79,638,617	56,522,571	-	136,161,188	-
Total OPEB liability*	14,114,847	1,276,241	5,028,871	10,362,217	497,814
Compensated absences**	2,202,410	-	71,825	2,130,585	426,119
Total	131,649,216	58,263,272	10,986,821	178,925,667	3,368,933
Less deferred amounts					
Unamortized bond discount	(10,040)	-	(4,960)	(5,080)	-
Unamortized bond premium	1,794,754	-	214,360	1,580,394	-
Total deferred amounts	1,784,714	-	209,400	1,575,314	-
TOTAL GOVERNMENTAL ACTIVITIES	\$133,433,930	\$ 58,263,272	\$ 11,196,221	\$180,500,981	\$ 3,368,933

* The General Fund has typically been used to liquidate these liabilities.

** The amount displayed as additions or reductions represents the net change in the liability.

EXAMPLE: NEW GUIDANCE (CONTINUED)

16. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Village implemented GASB Statement No. 101, *Compensated Absences*. For the implementation, the beginning net position has been restated, as follows.

<i>ENTITY-WIDE STATEMENTS</i>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, January 1 - as previously reported	\$ 130,309,734	\$ 73,866,956
Change in Accounting Principle - GASB 101	<u>(624,505)</u>	<u>(26,720)</u>
Net position, January 1 - as restated	<u>\$ 129,685,229</u>	<u>\$ 73,840,236</u>

GASB 101: **ILLUSTRATIONS**

- Paid time off (PTO)
 - PTO that is earned each month, carries over without limits at the end of the fiscal year, and for which any unused leave is paid upon termination of employment
 - Accordingly, all accumulated PTO is recognized as a compensated absences liability



GASB 101: **ILLUSTRATIONS**

- Sick leave part 1
 - Sick leave that is earned each month and carries over without limits at the end of the fiscal year, but any unused leave is not paid upon termination of employment.
 - Governments often offer leave to employees that can be used only when an employee is sick. Some governments allow employees to accumulate sick leave during their employment, but any unused amounts are forfeited upon termination of employment. The leave accumulates because it carries over at the end of the fiscal year. Such leave also is attributable to services already rendered because employees earn a certain number of hours or days for each month that they are employed. The government would estimate how much of the accumulated leave is more likely than not to be used as paid leave and recognize that portion as a compensated absences liability.

GASB 101: **ILLUSTRATIONS**

- Sick leave part 2
 - Sick Leave that is earned each month, does not carry over at the end of the fiscal year, and is not paid upon termination of employment.
 - Unlike previous example, this is not included because it does not carry over at the end of the fiscal year – in other words, the unused leave is forfeited

GASB 101: ILLUSTRATIONS

■ Sabbatical Leave

1. Sabbatical Leaves

a. Purpose:

Sabbatical leaves may be granted for improving the quality of teaching and learning by allowing faculty the opportunity to further develop academic and professional skills. The faculty member shall be granted leave to improve the quality of service to the College by:

- i. Informal or formal study in major or cognate field at an accredited institution engaging in projects or activities which will result in development of tangible material or processes to improve the faculty member's teaching assignment.
- ii. Professional research or inquiry at an accredited institution which will advance the faculty member's knowledge of their field and/or improve their professional skills.
- iii. Other purposes which are beneficial to the College and its students and which are in the best interests of the College as determined by the Board upon recommendation of the Sabbatical Leave Committee and the College President.

b. Eligibility and qualifications:

A sabbatical leave may be granted at the completion of six or more academic years of full-time continuous service. A faculty member will be eligible to apply for a sabbatical in their sixth year of full-time continuous service for a sabbatical to be taken in the seventh year. A sabbatical leave granted under this Section shall be a bar to any further sabbatical leave here until after the completion of at least six academic years of additional full-time continuous service.

f. Reporting:

Upon completion of sabbatical leave, the faculty member will present a comprehensive written report to the College President and the Board. The report should include, but is not limited to, a summary of the program of study or project, an evaluation of the experience, and how the results of the leave will be used to improve instruction.

GASB 101: ILLUSTRATIONS

- Sick Leave Assistance Bank
 - If the leave is not attributable to a specific employee as of the date of the financial statements (for example, if the leave has been donated to a shared employee leave pool), the College should measure the liability using an estimated pay rate that is representative of the eligible employee population

6. Sick Leave Assistance Bank

The purpose of the Sick Leave Assistance Bank (SLAB) is to provide additional sick leave days to a full-time faculty member to alleviate the hardship caused if a catastrophic illness or injury forces the full-time faculty member to exhaust all accrued sick leave. The sick leave assistance bank is not intended for single day circumstances.

GASB 101: **CONSIDERATIONS**

- Illinois Paid Leave for All Workers Act
 - Considerations
 - Will have limited history of use
 - Align assumptions of utilization with other leave banks (i.e. Personal or Sick)
 - Did this replace other leave categories
 - How will you incorporate this into existing workpapers
 - Do you need to modify internal reports

GASB 101: **CONSIDERATIONS**

- Sick Time –
 - Current Practice
 - Accrue if 15 + years of service
 - Up to 250 hours towards SURS credit
 - Future Practice
 - Accrue for all employees who accumulate sick time
 - Determine utilization rates by employee class
 - Use 3 year look back of usage to determine accrual amount
 - Accrual based on average pay rate per employee class

GASB STATEMENT 102 – CERTAIN RISK DISCLOSURES

GASB 102: **CERTAIN RISK DISCLOSURES**

OBJECTIVE

- Provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

EFFECTIVE DATE

- Fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Improvements to Financial Reporting:**
 - Providing users of financial statements with essential information that is not often provided under existing guidance
 - Disclosures will provide users with timely information regarding certain **concentrations** or **constraints**
 - Results in users having better information with which to understand and anticipate certain risks to a government's financial condition

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Certain Concentrations or Constraints:**

- A government may be vulnerable to risks from certain concentrations or constraints that limit its ability to acquire resources or control spending
- **Next Steps**
 - What is considered a concentration?
 - What is considered a constraint?

GASB 102: **CERTAIN RISK DISCLOSURES**

▪ **Concentration**

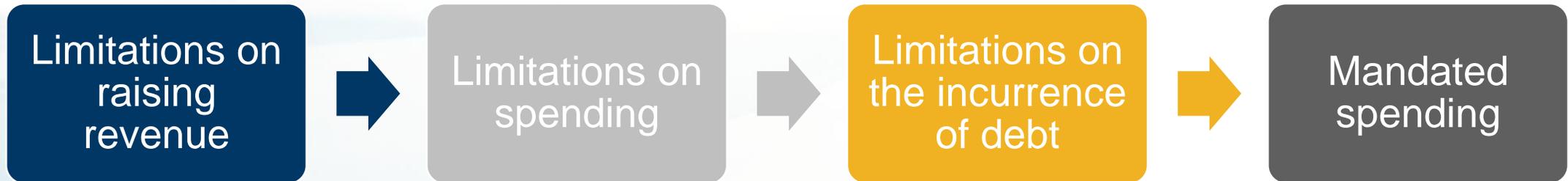
- A concentration is a lack of diversity related to an aspect of a significant inflow of resources (i.e. revenue) or outflow of resources (i.e. expense)
- Examples may include:



GASB 102: **CERTAIN RISK DISCLOSURES**

▪ **Constraint**

- A constraint is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority
- Examples may include:



GASB 102: **CERTAIN RISK DISCLOSURES**

■ **Disclosure Criteria**

- A government should disclose in the notes to the financial statements if **all** the criteria are met:
 1. A concentration or constraint is known to the government prior to the issuance of the financial statements
 2. The concentration or constraint makes the reporting unit vulnerable to the risk of a **substantial impact**
 3. An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are **more likely than not** to begin to occur within 12 months of the date of the financial statements

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Notes to Financial Statements**

- Disclosures should include the following:

1. The concentration or constraint
2. Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
3. Actions taken by the government prior to the issuance of the financial statements to mitigate the risk

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Risks Outside the Scope of GASB 102**
 - General use of estimates & uncertainty involved in certain inputs
 - Cyber risks
 - Environmental, social and governance risks
 - Certain events (acts of God, war or sudden catastrophes)

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Reporting Unit Considerations**

- Primary Government Reporting Unit
- Other Reporting Units that...
 - Report a liability for revenue debt vulnerable to the risk of a substantial impact

GASB 102: **CERTAIN RISK DISCLOSURES**

- Examples of Concentrations
 - Faculty Collective Bargaining Agreements
 - Do you have a no-strike clause
 - Tax Levy – Do you have a significant industry(s) or property owner(s) that represent a material portion of your tax base
 - Enrollment Cliff – If enrollment declines
 - Do you have ability to increase tuition/reduce expenses
 - Do labor contracts require certain staffing levels
 - Significant revenue streams concentrated with a single payor
 - Grants or facility rental income

GASB 102: **CERTAIN RISK DISCLOSURES**

- Examples - Constraints
 - Change in laws – what if the State shifts liability(s) to community colleges (Ex. SURS or Retiree Health Insurance)

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Example**: Employer Concentration
- Facts & Circumstances
 - College ABC: June 30, 2025 fiscal year end
 - Corporation 123: Largest employer within the College's jurisdiction
 - Represents 50% of the College's property tax collections
 - On August 27, 2025, they notified the College that operations will cease at the end of the calendar year
 - Unlikely another entity will acquire or occupy their space in the foreseeable future
 - College's financial statements are expected to be issued by October 31, 2025

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Example**: Employer Concentration
 - Concentration
 - Vulnerability to the risk of substantial impact
 - Occurrence of an event and its timing
 - Mitigant

GASB 102: **CERTAIN RISK DISCLOSURES**

- **Example:** Employer Concentration
- **Illustrative Disclosure/Footnote Example:**

Corporation 123 is a large employer within the jurisdiction of College ABC that employs XX,XXX personnel. The property tax revenues received by the College directly related to the operations of Corporation 123 represent 50% of the College's entire property tax base during the fiscal year ended June 30, 2025. On August 27, 2025, Corporation 123 notified the College that it plans to cease operations by December 31, 2025. A loss of revenue from the discontinuation of operations from Corporation 123 could adversely affect the College's operations.

QUESTIONS – CONTACT US!



NICK BAVA

CPA, MAS
PARTNER

NICK.BAVA@SIKICH.COM



LINDSEY FISH

CPA
PARTNER

LINDSEY.FISH@SIKICH.COM



JOHN BRYANT

ASSISTANT VICE PRESIDENT
OF FINANCE

JBRYANT@WAUBONSEE.EDU

THANK YOU

Prepared by Sikich LLP, ©2024 All Rights Reserved.



SIKICH.COM